

## Message Text

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ORIGIN EB-03

INFO OCT-01 ISO-00 /004 R

66614

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APPROVED BY: EB:JMDERHAM

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R 131731Z OCT 75

FM SECSTATE WASHDC

INFO USMISSION OECD PARIS 2110

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FOR ASSISTANT SEC ENDERS

FOLLOWING REPEAT CARACAS 10649 ACTION SECSTATE DTD 10 OCT

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E.O. 11652: N/A

TAGS: ENRG PFOR VE

SUBJECT: ALLEGED BRIBERY OF GOV OFFICIAL OCCIDENTAL PETROLEUM  
CORPORATION CAUSES SENSATION IN VENEZUELA

BEGIN SUMMARY. REVELATION BY THE NEW YORK TIMES OF ALLEGATIONS THAT THE OCCIDENTAL PETROLEUM CORPORATION BRIBER GOV OFFICIALS AND LEGISLATORS FROM 1970 TO 1974 HAS CREATED A SENSATION IN VENEZUELA, AND CAUSED GREAT DISMAY AMONG THE FOREIGN OIL COMPANIES HERE, NOW AT THE CRUCIAL STAGE OF THEIR NEGOTIATIONS WITH THE GOV. PENDING FURTHER CLARIFICATION OF THE AFFAIR, PRESIDENT PEREZ HAS ORDERED THAT CONVERSATIONS ABOUT COMPENSATION BETWEEN OCCIDENTAL AND THE GOV BE SUSPENDED. END SUMMARY.

1. LEADING STORY IN ALL CARACAS MEDIA MORNING OF OCTOBER 10 IS THE ALLEGED BRIBING OF GOV OFFICIALS FROM 1970 TO 1974 BY THE  
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CHAIRMAN OF OCCIDENTAL PETROLEUM CORPORATION, AS REPORTED BY A

NEW YORK TIMES STORY APPEARING THE PREVIOUS DAY. PRESS REPORTS LETTER TO PRESIDENT PEREZ FROM OCCIDENTAL'S ARMAND HAMMER DENYING CATEGORICALLY THAT EITHER HE OR HIS COMPANY HAD EVER MADE ANY ILLEGAL PAYMENTS TO VENEZUELAN OFFICIALS OR LEGISLATORS. HAMMER'S LETTER SAYS THAT THE ACCUSATIONS ORIGINATED WITH OCCIDENTAL'S EX-CARACAS MANAGER JOHN F. RYAN, WHO, DISGRUNTLED AT HAVING BEEN FIRED, HAD BROUGHT SUIT AGAINST THE COMPANY AFTER OCCIDENTAL HAD REFUSED TO GIVE HIM A SETTLEMENT FOLLOWING HIS DISMISSAL.

2. EL UNIVERSAL REPORTS AN INTERVIEW WITH OCCIDENTAL'S CURRENT CARACAS MANAGER, DONALD GLADDEN, DENYING ANY WRONG DOING BY HIS COMPANY, AND ATTRIBUTING RYAN'S ACTIONS TO LATTER'S BITTERNESS AT HAVING BEEN FIRED. ASKED WHO WAS OCCIDENTAL'S CARACAS MANAGER IN 1970, WHEN THE BRIBES ALLEGEDLY COMMENCED, GLADDEN REPLIED, ACCORDING TO EL UNIVERSAL, "AT THAT TIME IT WOULD BE MR. CHARLES HATHEW (AN APPARENT REFERENCE TO FORMER OCCIDENTAL MANAGER HATFIELD), WHO LEFT THE COMPANY AT THE BEGINNING OF 1973." STORY SAYS GLADDEN EXPLAINED THAT OCCIDENTAL HAD DRILLED 13 OR 14 WELLS IN SOUTH LAKE MARACAIBO, OF WHICH THREE WERE PRODUCERS.

3. PRESS ALSO REPORTS TEXT OF COMMUNIQUE ISSUED NIGHT OF OCTOBER 9 BY PRESIDENCY. COMMUNIQUE SAYS PRESIDENT PEREZ CALLED TO HIS OFFICE MINES MINISTER AND OCCIDENTAL OFFICIALS, WHICH LATTER PRESENTED TO THE PRESIDENT HAMMER'S LETTER AND REAFFIRMED THEIR COMPANY'S INNOCENCE. COMMUNIQUE STATES THAT PRESIDENT CALDERA HAD APPROVED A CONTRACT BETWEEN THE STATE-OWNED CVP PETROLEUM COMPANY AND OCCIDENTAL ON JULY 14, 1971, AND THAT PRESIDENT PEREZ HAS ORDERED THE MINISTRY OF MINES TO SUSPEND ITS CONVERSATIONS WITH OCCIDENTAL RELATING TO ITS INDEMNIFICATION UNDER THE RECENTLY-APPROVED PETROLEUM NATIONALIZATION LAW UNTIL "THE SITUATION IS CLARIFIED." COMMUNIQUE STATES THAT THE PRESIDENT HAS ORDERED THE FISCALIA GENERAL TO MAKE "AN EXHAUSTIVE INVESTIGATION," AND THAT "ALL NECESSARY GUARANTEES ARE EXTENDED TO THE ACCUSER OF THE PRESIDENT OF OCCIDENTAL SO THAT HE CAN COME TO VENEZUELA TO MAKE DECLARATIONS AND BRING THE PROOF OR THE INFORMATION HE POSSESSES." COMMUNIQUE STATES THAT THE GOV WILL TAKE "ALL THE MEASURES AND CARRY OUT ALL THE NECESSARY INVESTIGATIONS TO CLARIFY ALL THE ASPECTS OF THE GRAVE DENUNCIATION."

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TION WHICH INVOLVES GOVERNMENT OFFICIALS AND MEMBERS OF THE NATIONAL CONGRESS DURING PREVIOUS CONSTITUTIONAL PERIODS." COMMUNIQUE ENDS BY STATING THAT THE PRESIDENT HAD MET WITH THE SECRETARIES GENERAL OF THE VARIOUS POLITICAL PARTIES TO ADVISE THEM OF DECISIONS HE HAD TAKEN AS DESCRIBED IN THE COMMUNIQUE.

4. COMMENT. OCCIDENTAL MANAGER GLADDEN WAS CALLED TO MINES

MINISTRY AT SIX P.M., WHENCE HE WAS ACCOMPANIED DIRECTLY TO MIRAFLORES BY MINISTER HERNANDEZ TO PRESENT DR. HAMMER'S LETTER. GLADDEN'S SUMMONS TO THE MINISTRY INTERRUPTED A SERIES OF NEGOTIATING SESSIONS BETWEEN THE MINISTER AND THE OIL CONCESSIONAIRES. AT LEAST TWO OIL COMPANY TEAMS WERE PRESENT TO WITNESS GLADDEN'S APPEARANCE AT THE MINISTRY. ALL COMPANIES INVOLVED IN REVERSION NEGOTIATIONS ARE SHAKEN AND DISMAYED BY THIS DEVELOPMENT, COMING AS IT DOES AT THIS MOST CRITICAL MOMENT IN THE COMPENSATION NEGOTIATIONS. GLADDEN EXPLAINED TO OIL COMPANY REPRESENTATIVES, WHILE WAITING IN THE MINISTRY, THAT RYAN HAD DEMANDED TO BE PAID TWO YEARS SALARY WHEN HE WAS DISMISSED, BUT THAT OCCIDENTAL REFUSED AND PAID ONLY WHAT WAS REQUIRED BY THE VENEZUELAN LABOR LAW. RYAN THREATENED AT THAT TIME TO SUE THE COMPANY, GLADDEN ADDED.

5. PRESIDENT PEREZ APPEARS TO HAVE DECIDED TO HANDLE THIS AFFAIR IN A MORE RESTRAINED MANNER THAN THAT HE EMPLOYED WITH GULF IN MAY OF 1975. THIS TIME THERE IS NO SHORT DEADLINE ULTIMATUM. BY REFERRING THE INVESTIGATION TO THE FISCALIA GENERAL, THE GOV PRESUMABLY INTENDS TO ISOLATE THE OCCIDENTAL CASE FROM THE REVERY ON TALKS WITH THE OTHER COMPANIES. PAYMENT TO OCCIDENTAL FOR BLOCK E (CARACAS 10123) WOULD, IN ANY CASE, BE SUBJECT TO CONGRESSIONAL APPROVAL AND THUS LIABLE TO THE CLOSEST SCRUTINY UNDER THE BEST OF CIRCUMSTANCES. END COMMENT. SHLAUDEMAN UNQTE KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CORRUPTION, PETROLEUM INDUSTRY, PRESS COMMENTS, ALLEGATIONS, PUBLIC ADMINISTRATION, GOVERNMENT REACTIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 OCT 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975STATE243445  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** EB:JMDERHAM  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750355-0345  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19751059/aaaacalt.tel  
**Line Count:** 141  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 27 MAY 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <27 MAY 2003 by CunninFX>; APPROVED <09 OCT 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
06 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ALLEGED BRIBERY OF GOV OFFICIAL OCCIDENTAL PETROLEUM CORPORATION CAUSES SENSATION IN VENEZUELA  
**TAGS:** ENRG, PFOR, VE, US, OCCIDENTAL PETROLEUM CORPORATION  
**To:** OECD PARIS  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006